

Message Text

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C O N F I D E N T I A L LISBON 5470

E.O. 11652: GDS
TAGS: MARR PO
SUBJECT: LAJES BASE NEGOTIATION

1. SUMMARY: THE COUNCIL OF MINISTERS APPROVED ON JULY 12 A LAJES BASE AGREEMENT PROPOSAL ON WHICH THE FOREIGN MINISTRY WILL SEEK AZOREAN CONSENT JULY 25. THE PROPOSAL WOULD GIVE A FULL FOUR YEARS TO RUN AFTER A NEW AGREEMENT IS REACHED AND WOULD PROVIDE A TOTAL OF \$140 MILLION IN US ASSISTANCE WITH UP TO \$100 MILLION OF THAT EARMARKED FOR AZOREAN ECONOMIC DEVELOPMENT. END SUMMARY.

2. FOREIGN MINISTRY DIRECTOR GENERAL OF POLITICAL AFFAIRS VILLAS-BOAS, ON INSTRUCTION FROM FOREIGN MINISTER SA MACHADO, INFORMED ME TODAY (JULY 24) OF THE OUTLINES OF A GOP POSITION ON THE LAJES BASE AGREEMENT AS APPROVED BY THE PORTUGUESE COUNCIL OF MINISTERS ON JULY 12 FOR PRESENTATION TO THE AZOREAN AUTHORITIES. (HE HAD BEEN UNABLE TO PROVIDE THIS INFORMATION TO ME EARLIER BECAUSE I HAD BEEN IN THE AZORES FROM JULY 13-19 AND THE FOREIGN MINISTRY HAD SUBSEQUENTLY BEEN PREOCCUPIED WITH GISCARD'S VISIT.) KEY DETAILS:

(A) THE AGREEMENT WOULD HAVE A FULL FOUR YEARS
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OF LIFE AFTER IMPLEMENTATION. (VILLAS-BOAS IMPLIED IT WOULD RUN FOR APPROXIMATELY NINE YEARS FROM FEBRUARY 1974.)
(B) TOTAL US ASSISTANCE WOULD BE \$140 MILLION.
(C) OF THIS, \$100 MILLION WOULD BE FOR ECONOMIC ASSISTANCE WITH THE CONDITION THAT IF THE AZORES WERE UNABLE TO ABSORB THAT LEVEL OF

ASSISTANCE DURING THE LIFE OF THE AGREEMENT, THE UNABSORBED PORTIONS WOULD REVERT TO THE NATIONAL TREASURY FOR USE (1) IN THE MADEIRAS, (2) DEVELOPMENT ON THE MAINLAND, OR (3) MILITARY ASSISTANCE, IN THAT ORDER OF PRIORITY.

3. VILLAS-BOAS SAID THAT HE WAS SCHEDULED TO MEET JULY 25 WITH REIS LEITE, WHO REPRESENTS THE AZOREAN REGIONAL GOVERNMENT IN THE MATTER OF THE LAJES NEGOTIATIONS, TO PRESENT THE COUNCIL OF MINISTERS' DECISION. ASSUMING AZOREAN CONSENT (WHICH WAS NOT AT ALL CERTAIN, GIVEN THAT THE AZOREANS WOULD BE SUSPICIOUS THAT THE REVERSIONARY PROVISION WAS A LISBON TRICK TO CHEAT THEM OUT OF THE FULL AMOUNT), THIS MIGHT BECOME THE GOP NEGOTIATING POSITION AND BE PRESENTED TO THE USG FORMALLY.

4. I INDICATED THERE COULD BE PROBLEMS WITH THE PROPOSAL AS OUTLINED, PARTICULARLY WITH REGARD TO DEDICATING AS MUCH AS \$100 MILLION OF THE FINAL QUID TO AZOREAN ECONOMIC DEVELOPMENT. I POINTED OUT THAT WE HAVE OUR OWN RESERVATIONS REGARDING AZOREAN ABSORBTIVE CAPACITY, AND THESE WOULD FIGURE IN ANY FINAL DECISION ON THE TOTAL LEVEL OF ECONOMIC ASSISTANCE THAT WE MIGHT AGREE UPON. I ALSO POINTED OUT THAT THE US APPROPRIATIONS PROCESS MAKES IT IMPOSSIBLE TO SHIFT FUNDS FROM ECONOMIC ASSISTANCE TO MILITARY ASSISTANCE. I EXPRESSED MY CONFIDENTIAL

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APPRECIATION FOR THE EFFORTS OF THE FOREIGN MINISTER AND THE PORTUGUESE GOVERNMENT TO MOVE THE LAJES CASE TO A QUICK CONCLUSION AND EXPRESSED THE HOPE THAT VILLAS-BOAS WOULD BE ABLE TO PERSUADE THE AZOREANS TO BE MORE REASONABLE ON THE ECONOMIC QUID. I SUGGESTED THAT, IF THE PORTUGUESE GOVERNMENT FEELS IT CANNOT OBTAIN AZOREAN CONSENT TO THE AGREEMENT WITHOUT PLEDGING AT LEAST A TOTAL OF \$110 MILLION TO THE AZORES, THE GOP MAKE UP THE DIFFERENCE BETWEEN THE LEVEL OF US ECONOMIC ASSISTANCE FINALLY INCORPORATED IN THE NEW AGREEMENT AND THE \$100 MILLION LEVEL BY PLEDGING RESOURCES AVAILABLE FROM OTHER SOURCES, FOR EXAMPLE PL-480 COUNTERPART FUNDS.

5. COMMENT: SINCE THE COUNCIL OF MINISTERS HAS ALREADY DECIDED THAT A TOTAL OF \$100 MILLION IN ECONOMIC ASSISTANCE CAN BE OFFERED TO THE AZORES, IT MAY NOT BE POSSIBLE FOR VILLAS-BOAS TO GET REIS LEITE TO ACCEPT A LOWER FIGURE. AT THE MOMENT THE PORTUGUESE GOVERNMENT'S FLEXIBILITY ON THIS IS EXTREMELY LIMITED, PARTICULARLY IN VIEW OF THE CURRENT CABINET CRISIS. (THE FOREIGN MINISTER SUBMITTED HIS RESIGNATION THIS MORNING ALONG WITH

HIS TWO CDS CABINET COLLEAGUES. IT IS TOO EARLY TO
TELL WHAT EFFECT THE GOVERNMENT CRISIS WILL HAVE ON
THE LAJES NEGOTIATIONS.)
BLOOMFIELD

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